

NORTH YORKSHIRE COUNCIL

PENSION FUND COMMITTEE

6 MARCH 2026

BUSINESS PLAN, BUDGET AND CASHFLOW FORECAST

Report of the Treasurer

1. Purpose of the Report

- 1.1. To report on the progress made against the key business plan activities identified for 2025/26.
- 1.2. To approve the draft Business Plan for 2026/27 to 2028/29.
- 1.3. To approve the draft 2026/27 Budget.
- 1.4. To report on the cashflow forecast of the Fund.

2. Progress Update

- 2.1. In the 2025/26 Business Plan, key actions for the year were identified and approved by Members at the February 2025 Committee meeting. It was agreed that officers would provide a progress report against these key actions. The latest update is attached as **Appendix 1**.

3. Draft 2026/27 Business Plan

- 3.1. The draft 2026/27 Business Plan is attached at **Appendix 2**. It sets out the purpose and strategy of the Fund with activities for the next three years to support the Committee in managing the Fund. The key initiatives are identified, with delivery dates to enable tracking of progress. The plan has been refreshed to cover the period 2026/27 to 2028/29. Any outstanding actions from 2025/26 have been rolled forward to 2026/27 where appropriate and some new actions have been identified. A summary of the business plan has also been attached as **Appendix 3**. Some of the main areas are described below.
- 3.2. **Income monitoring** – following the triennial valuation, the contributions received from April will be closely monitored to ensure the correct employer and employee contribution amounts are being received. Changes to employer contribution rates new employee contribution bands are effective from 1 April.
- 3.3. **LGPS Fit for the Future** – changes to regulations and guidance are expected early in 2026. Following publication, work will be undertaken to scope the project and allocate the necessary resource to it. There will be many aspects to the changes, which will come into force in two phases. This work will run alongside the Access and Fairness and Scheme improvements work and so resource will need to be carefully allocated and managed.
- 3.4. **McCloud remedy** – the rectification stage continues to progress. The work will need to be completed before the Fit for the Future calculations can begin.
- 3.5. **Access and Fairness** – the changes to regulations and guidance are expected early in 2026. Following receipt, work will be undertaken to scope the project and allocate the necessary resource to it. This work will run alongside the Fit for the Future and Scheme improvements work and so resource will need to be carefully allocated and managed.

3.6. **Scheme improvements** – the changes to regulations and guidance are expected early in 2026. Following receipt, work will be undertaken to scope the project and allocate the necessary resource to it. This work will run alongside the Fit for the Future and Access and Fairness work and so resource will need to be carefully allocated and managed.

4. 2026/27 Budget

- 4.1. The draft 2026/27 budget for the cost of running the Fund is presented in **Appendix 4** and totals £3.8 million. It is based on the 2025/26 budget and the actual costs incurred during that year and is on an accruals basis.
- 4.2. The 2026/27 budget no longer includes the investment management fees as they are monitored but not managed by the Fund and mainly change in line with the value of the Fund's assets. The Committee is asked to approve the operational budget, based on the costs of running the Fund. The removal of the investment fee budget, which is forecast to be £37 million in 2025/26, is the main change in the budget between years.
- 4.3. The other changes in the budget are relatively minor and reflect issues such as inflation and changes to salaries, contracted costs and the expected use of investment advisory and actuarial costs.
- 4.4. The forecast for 2025/26 includes a few notable variances. The overspend on Pooling costs is due a one-off cost for the acquisition of a data platform required by Border to Coast to comply with the Fit for the Future requirements, which the Committee was informed of at the meeting in November 2025. There is also a forecast overspend of investment base fees due to a higher-than-expected increase in the value of the Fund's assets over the year, and lower performance fees due to a reduction in the allocation to a manager with a performance related fee arrangement.
- 4.5. In line with normal practice, the Budget may be revised during the year if there are material changes, subject to approval by the Committee.

5. Cashflow Projection

- 5.1. The cash position of the Fund is presented in **Appendix 5**. The table shows the projected cashflows of the Fund for 2025/26 and over the following 3 years.
- 5.2. This shows the position in relation to the Fund's non-investment operations and includes the relevant figures when assessing whether the Fund is in a cash surplus or deficit position.
- 5.3. The main inflows and outflows of the Fund are the contribution income from employers and active members, and benefits payments to retired members. They effectively determine the Fund's surplus or shortfall position.
- 5.4. The forecasts are sensitive to the estimate of inflation, which continues to be a subject of active debate among economists. Low inflation levels are expected compared to those seen over the last few years, but with some volatility. Assumptions for inflation and other key metrics impacting the cashflow projection will be periodically assessed and incorporated into future updates.
- 5.5. Employer contribution rates have changed significantly as a result of the 2025 valuation and have been factored into the forecast from 2026/27 onwards. The overall funding level of the Fund has improved at the 2025 Valuation, resulting in lower employer contributions being required from employers over the next 3 years. This has led to a decrease in the forecast contribution income in 2026/27 of approximately £31 million and is the main change in the cashflow forecast between years.

- 5.6. The forecast for transfers in has also been reduced to bring it more in line with the forecast for transfers out. In the recent past, transfers in have significantly exceeded transfers out, but there is nothing to indicate that this should be expected going forward. It is therefore prudent to forecast this more in line with transfers out.
- 5.7. The forecast annual operational deficit of £66.4 million in 2026/27 is significant but is only around 1.3% of the value of the Fund. In the past, almost all income generated by investments has been automatically reinvested. In light of the increasing deficit position, officers are reviewing options to receive some or all of this income. But to reassure Members, there is enough income available in the form of dividends from equities, coupon payments from bonds and rental income from property to cover this deficit. Based on the current value of the Fund, there is an estimated £80 million income available, and this will grow as the total value of the Fund grows. This issue will be closely monitored. Any income not required will continue to be reinvested, as before.

6. Recommendations

- 6.1. Note the progress made against the 2025/26 Business Plan.
- 6.2. Approve the draft 2026/27 Business Plan.
- 6.3. Approve the draft 2026/27 Budget.
- 6.4. Note the 3-year cashflow projection for the Fund.

Gary Fielding
Treasurer of North Yorkshire Pension Fund
North Yorkshire Council
County Hall
Northallerton

24 February 2026